

VZCZCXRO0856  
RR RUEHAO RUEHCD RUEHGA RUEHGD RUEHHA RUEHHO RUEHMC RUEHMT RUEHNG  
RUEHNL RUEHQU RUEHRD RUEHRG RUEHRS RUEHTM RUEHVC  
DE RUEHC #7293/01 1052027  
ZNY CCCCC ZZH  
R 152007Z APR 09  
FM SECSTATE WASHDC  
TO RUEHBR/AMEMBASSY BRASILIA 2306  
WESTERN HEMISPHERIC AFFAIRS DIPL POSTS  
RUEHRI/AMCONSUL RIO DE JANEIRO 9127  
RUEHBS/USEU BRUSSELS  
RHMCSUU/DEPT OF ENERGY WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 03 STATE 037293

SIPDIS

E.O. 12958: DECL: 04/15/2019

TAGS: [PREL](#) [SENV](#) [SG](#) [SN](#) [ENGR](#) [DR](#) [ES](#) [GB](#) [GM](#) [GT](#) [HO](#)

IR, JA

SUBJECT: EEB A A/S NELSON DISCUSSES BIOFUELS AND ENERGY  
ISSUES WITH BRAZILIAN U/S FOR ENERGY

REF: STATE 18324

Classified By: EEB A A/S DAVID NELSON FOR REASONS 1.4(b)  
& (d)

11. (C) Summary: Brazilian U/S for Energy Andre Amado met with EEB A A/S David Nelson on March 4 to discuss ongoing cooperation on biofuels and cooperation on energy more broadly. Brazil and the U.S. remain enthusiastic about our cooperation on biofuels, particularly in assisting developing countries. Work under the MOU is continuing to move forward, in both first-tranche and second-tranche countries. Brazil is proposing additional work in Africa, as Amado did in a March 3 meeting with U/S Burns (reftel), in cooperation with the EU. Brazil also urged that the steering committee reconvene as soon as possible, while acknowledging the constraints imposed by the transition of administrations in the U.S. Finally, the Brazilians raised concerns about the implications of EPA's Notice of Proposed Rule Making for international trade in biofuels and for US-Brazil biofuels cooperation because Brazilian ethanol likely would not qualify as an advanced biofuel under EISA given EPA's methodology. On the U.S. side, EEB Energy DAS Douglas Hengel raised concerns about reports that Petrobras was considering an agreement with Iran; the Brazilians acknowledged these concerns but failed to provide strong reassurance. A variety of other energy issues were discussed, including Brazil's views on the International Renewable Energy Agency (IRENA), the future of nuclear power in Brazil, and the potential for U.S. companies to participate in development of Brazil's newly-discovered offshore oil reserves. End Summary.

Ongoing U.S.-Brazil Biofuels Cooperation in Developing Countries

-----  
--

12. (C) Brazil has ongoing cooperation with the U.S. to advance biofuels in developing countries, under a Memorandum of Understanding signed March 2007. Amado was positive about the future of biofuels and expressed particular enthusiasm for the agronomy feasibility studies underway. He asserted that we need concrete results from the first tranche of countries receiving assistance under the MOU and need to start as soon as possible with studies for the five second-tranche countries. Amado also proposed a third tranche of countries, in Africa, noting that Brazil means business and wants to be really involved in working with developing countries.

13. (C) EEB A A/S Nelson said the U.S. places great

value on this partnership with Brazil, including our work with developing countries in Central America, the Caribbean, and Africa which are unlikely to have the necessary resources themselves. Regarding the MOU and bilateral relations, Nelson urged focusing on the first and second tranche countries and making the developments there concrete. He noted the substantial financial contributions from the U.S. and Brazil to these countries, as well as the promising work between our respective national labs on research and development.

14. (C) The Brazilians noted the recent events in Guinea-Bissau, which is a tranche-two country, and its difficult situation. But they noted that it, and second tranche country Senegal, have tremendous biofuels potential and need. Amado noted Brazil was waiting on its development bank to finalize funding for these two countries, where Brazil has the lead.

15. (C) Amado advocated reactivating the U.S. Brazil Steering Committee on Biofuels Cooperation as soon as possible and that we work on dates, while also saying he understood State is waiting for some confirmations. The U/S of Economic, Energy, and Agricultural Affairs represents the U.S. to the steering committee, which oversees work carried out under the MOU. [Note: The subject of reactivating the steering committee also came up in a previous meeting on this trip.] Nelson agreed

STATE 00037293 002 OF 003

SUBJECT: EEB A A/S NELSON DISCUSSES BIOFUELS AND ENERGY ISSUES WITH BRAZILIAN U/S FOR ENER

with the need to reconvene the steering committee, describing it as a good way to institutionalize our efforts, but indicated we need to wait for the nomination and confirmation process to conclude.

16. (C) A A/S Nelson suggested that we would like to see more countries use biofuels sustainably and responsibly. The U.S. side discussed areas for making progress in countries where the U.S. and Brazil are currently engaged: Honduras would very much appreciate Brazilian technology for a small distillery to showcase that technology. Guatemala needs a law, and Brazil has experience passing biofuels laws. Once El Salvador has had its elections and has a new administration, the U.S. and Brazil need to return to San Salvador together to work with the new government. The Dominican Republic also will need a diplomatic push by the U.S. and Brazil to continue implementing the biofuels rules they enacted during the term of our partnership. Jamaica's program to mix Ethanol at 10 percent levels already is seen as a good example of how to move quickly on biofuels. There was agreement that St. Kitts and Nevis can be "graduated" from the partnership as the partnership helped them decide on geothermal as the next step in their renewable energy development.

Brazil's Cooperation on Biofuels with the EU

17. (C) Amado indicated that the EU has initiated a new partnership with Brazil to advance biofuels in Africa. The plan is to talk with African countries and to work on two fronts, with the U.S. and EU, and to develop a list of countries with whom we would eventually work. Their initial list includes Ethiopia, Kenya, Benin, Angola, Mozambique, and with particular respect to the U.S., Liberia and Mali. They are waiting to hear from the EU but think they will likely be interested in Angola and Mozambique. The Brazilians would have wished for technical sharing from others in the past and are committed to sharing technologies with developing countries now and in the future. They are very enthusiastic about ethanol.

EPA's Notice of Proposed Rule Making (NPRM)

-----  
--  
¶8. (C) Amado said he was concerned about obstacles in the environmental arena that could prohibit cooperation. He particularly noted EPA's Notice of Proposed Rule Making under EISA 2007, which estimates the greenhouse gas emissions of different biofuels categories, including Brazilian ethanol. Brazil, Amado noted, could eventually comply with all the regulations but that many Central American, Caribbean, and African nations likely could not. The implication, he asserted, would be an inability to create an international biofuels trade because there would not be enough producers and consumers.

¶9. (C) Further underscoring Brazil's concern with the NPRM, Amado noted the significant consequences that would have ensued if the EU sustainability directive, approved in December, had been as restrictive as discussed. Brazil does not see food security as a problem at this point and views the dialogue about biofuels, food security, and sustainability as one to which additional problems are continually added, making it impossible ever to provide a satisfactory plan. The current item on the list is indirect land use.

#### Renewable Energy Technologies and IRENA

-----  
-

¶10. (C) ESC DAS Hengel inquired about Brazil's attitude towards the International Renewable Energy Agency (IRENA). Amado characterized it as a German idea that is good for Germany. In the case of wind, \$90 million will yield only 50 megawatts. He was skeptical that IRENA's focus on wind and solar energy is useful in Brazil which has abundant hydropower. He said IRENA could have been interesting if it had a broader focus. Amado views solar and wind as very expensive technologies that can only be mastered by developed countries.

Oil, Petrobras and Iran

STATE 00037293 003 OF 003

¶11. (C) ESC DAS Hengel inquired about a press release indicating that Petrobras was signing a deal with Iran and discussed the implications of the Iran Sanctions Act on any such deal. Amado indicated that U/S Burns had raised the same concern, that President Lula is very aware of this, and that the government is attentive to the decisions of the Security Council. He turned to his aide on the topic, who indicated that the GOB is aware of Petrobras' implicit exposure to U.S. law through holdings in the U.S., and so for this reason, does not believe there is reason to worry.

¶12. (C) DAS Hengel also raised questions about offshore oil in the Santos Basin and possible new rules, noting that U.S. oil companies are very interested in how they can continue to use their deepwater technologies to help Brazil develop its growing oil reserves. Amado responded that the offshore oil discoveries have happened very fast and that they need to determine the scope of the finds. Whatever happens after the discovery, he assured us there will be room for foreign entities, and those concessions now being developed with foreign partners will be respected. Amado said that Brazil does not yet know what type of tax regime will be put in place for the new fields, noting that now that the reserves have been discovered, there is less risk (and, he implied, therefore, less reward in the tax structure). He assured that these reserves, which are 7,000 meters below the ocean surface, will be developed, but that a new framework is needed before drilling can

begin." The Brazilians estimate it will cost more than \$600 billion to exploit the resource.

#### Nuclear Power

-----

¶13. (U) Brazil is also interested in exploring what they can do with nuclear energy and has a regular meeting about this with all relevant agencies. In the past, Brazil has had good cooperation with Westinghouse, though the constitution prohibits private participation in certain parts of the nuclear industry. They have now made the decision to have a third plant and the new budget conceives of four more in the future, either with Westinghouse or with Areva, neither of which is U.S.-owned.

#### Broader Cooperation on Energy

-----

¶14. (C) Hengel expressed the U.S. desire to work with Brazil beyond biofuels, on all energy issues, and his understanding that the U.S. Department of Energy (DOE) has discussed this previously. Amado noted that the 2003 MOU with DOE needs to be updated and they were working with the new Administration at DOE to recharge it.

¶15. (C) Comment: The tone of the meeting was friendly. Both Brazil and the U.S. are eager to continue joint work on biofuels assistance to developing countries. The Brazilians showed an interest in expanding to Africa. Although the Brazilians acknowledged the press reports about a deal between Petrobras and Iran, they failed to provide strong reassurances on that front.

¶16. (U) For more information, contact Matt McManus at McManusMT@state.gov; 202-647-3423.  
CLINTON